

ESG ANNUAL REPORT ²⁰₁₅



naxicap
PARTNERS

Entrepreneurs en capital



INTRODUCTION

Subsidiary of the BPCE group, which has been involved in sustainable development for a long time, Natixis, with its Private Equity pole, is a founder member of the steering committee of the **Sustainable Development Club of AFIC** (French Private Equity Association) and also a long-term sponsor (since 2006) of the European Venture Philanthropy Association which promotes the use of private equity management methods in the philanthropic sector.

Naxicap Partners attaches great importance to the sustainable growth of its portfolio companies and considers that a long-term and ethical approach to investment is a key driver of the companies' expansion and generator of value. We believe that responsible practices have a positive impact on performances and are a success factor of our companies.

Besides the financial quality of investment opportunities, Naxicap Partners pays special attention to **non-financial criteria**, including environment, social management and governance. We are committed to helping sustain and enhance responsible initiatives by working with our associates, our investors, our portfolio companies and their employees.

In 2015, Naxicap Partners wanted to deepen its commitment to socially responsible investments by **signing the PRI** (Principles for Responsible Investment) proposed in 2005 through the work of the UN Global Compact and UNEP Finance Initiative initiated by Kofi Annan, the UN Secretary General.



ASSOCIATION FRANÇAISE
DES INVESTISSEURS
POUR LA CROISSANCE

Signatory of:

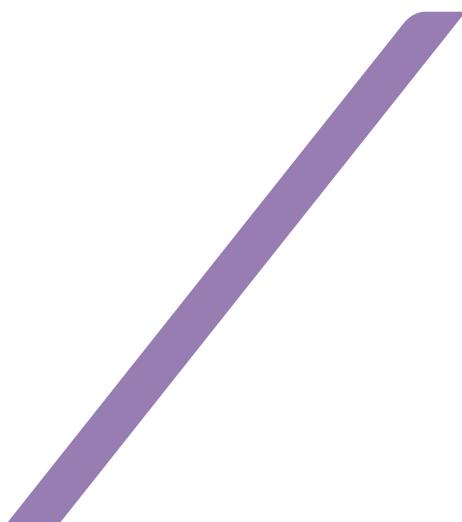






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THIS IS NAXICAP **PARTNERS**

THIS IS NAXICAP PARTNERS

Data as of 31 December 2015

KEY FIGURES



€2.1 Billion
assets under management



153
portfolio companies



€424 Million
invested in 2015

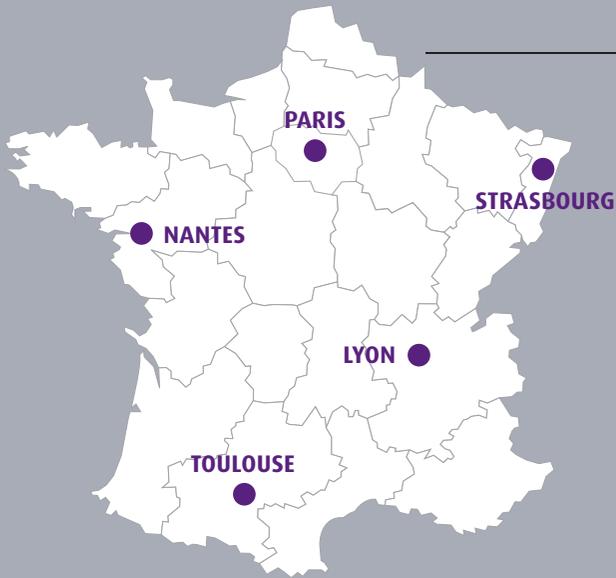
MAIN SECTORS OF INVESTMENTS

Naxicap Partners is a leading investment player in France with multi-sector expertise. The portfolio companies of Naxicap are all affected differently by ESG risks and opportunities. We provide recommendations and action plans tailored to each company and its respective sector.



Services	35.0%
Consumer goods	11.9%
Health, cosmetics	10.0%
Information Technology, Computing	9.1%
Real estate	9.1%
Textile clothing	6.2%
Equipment	2.7%
Personal services	1.6%
Food processing	1.5%
Communication	0.4%
Others	12.5%

FIVE REGIONAL OFFICES



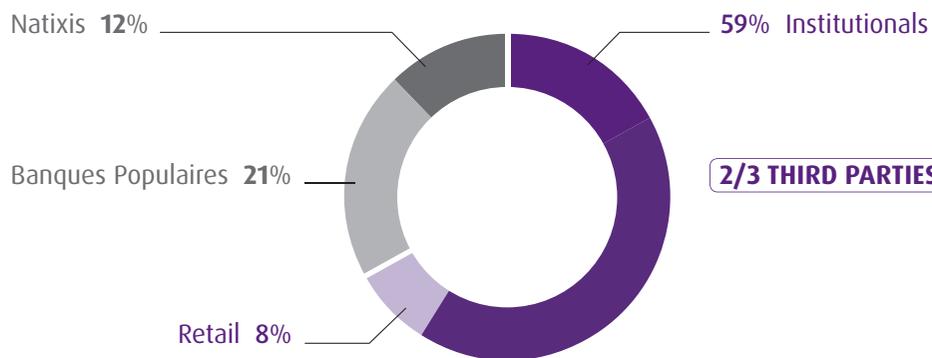
PARIS	17 Investment officers
LYON	10 Investment officers
TOULOUSE	5 Investment officers
NANTES	3 Investment officers
STRASBOURG	2 Investment officers



37
Investment officers

OUR INVESTORS

OWN BEHALF 1/3



2/3 THIRD PARTIES





NAXICAP'S **ESG APPROACH**

2

NAXICAP'S ESG APPROACH

A changing approach to business

The regulatory framework is giving stricter orientations to the investment industry, aiming at more responsible behavior globally. It prompts Private Equity players to show greater awareness of the importance of sustainable development and requires them to report transparently on their ethical initiatives.





Cop 21

“Following the Paris’ Cop 21, countries implement their intended nationally determined contributions (INDCs) and focus on the carbon footprints of investments and their exposure to new laws. Regulatory pressure is growing in many countries already, both with regards to disclosure as exemplified by the European non-financial reporting directive and the French law on energy transition for green growth, or mitigation through even more stringent regulations.” (ESG Magazine – Spring 2016)

New French energy transition law

The French energy transition for green growth law (or energy transition law), adopted in August 2015, marks a turning point in carbon reporting. Article 173, a section of the law that came into force on 1st January 2016, requires investors and their intermediaries management companies from the end of 2016 to declare the environmental impact of their portfolios, to disclose how ESG criteria are considered in their investment strategies and how these are consistent with and contribute to the low-carbon transition.

Article 173 – French energy transition law (extract)

« Management companies include in their annual report and communicate to their subscribers information regarding their manner to consider social, environment and governance criteria in their investment policy and the measures implemented to contribute to the energy and ecological transition. »

NAXICAP'S ESG APPROACH

The ESG path of Naxicap Partners

Naxicap Partners has decided to engage in a more responsible activity in line with its strategy by investing in companies with strong and committed management teams in a long term perspective. We believe that sustainable and responsible practices can improve corporate performances.

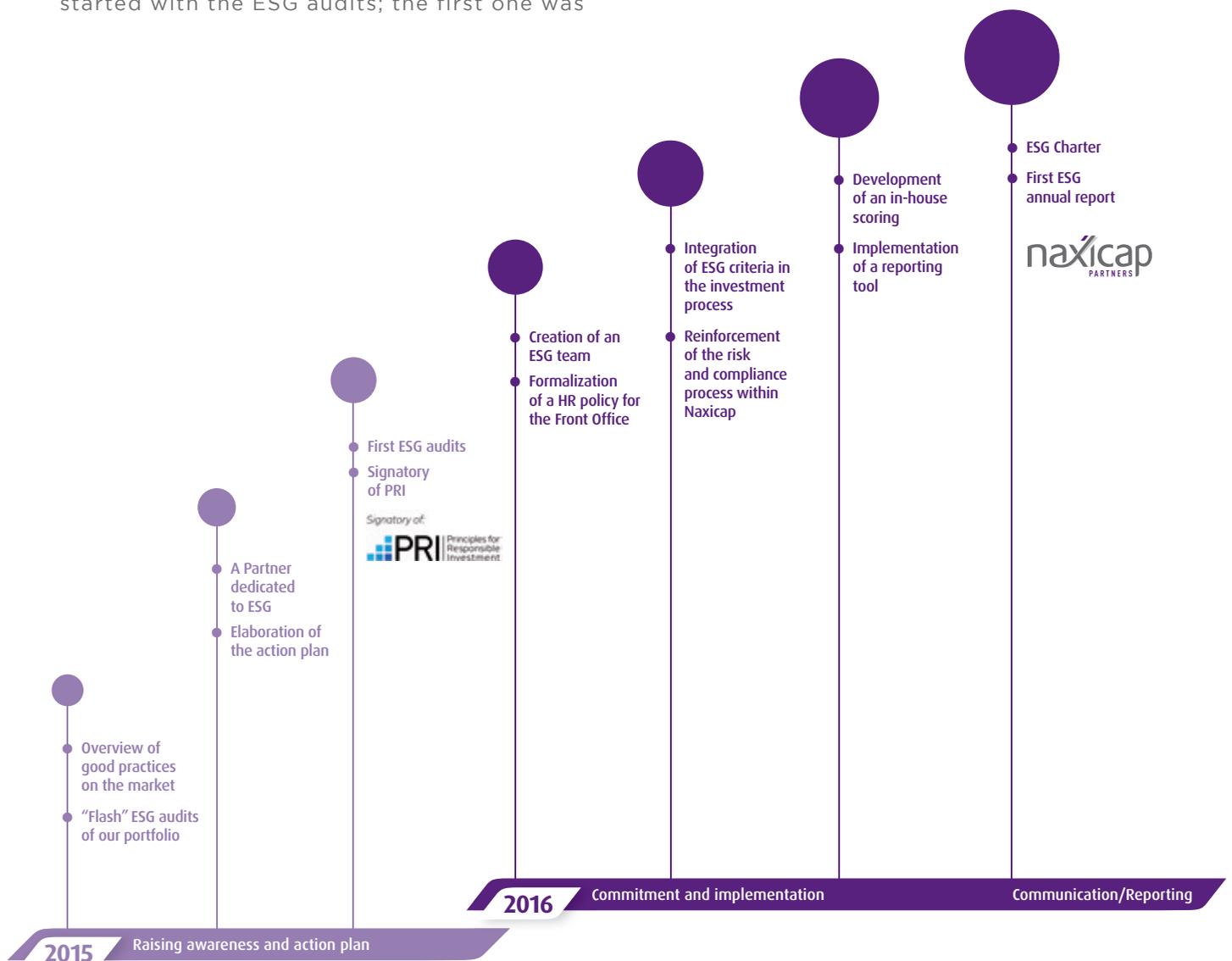
In 2015, convinced by the positive impacts of a responsible approach, Angèle Faugier, one of Naxicap's Partners, started to work on ESG and to elaborate an action plan for the management company; an ESG team was created.

The implementation into the investment process started with the ESG audits; the first one was

launched in 2015 and ESG audits are now a mandatory pre-investment step.

The signature of the PRI, in December 2015, more deeply marked our commitment to monitor and encourage ethical actions of the companies we invest in.

Our commitments for a sustainable finance and responsible investments are presented in our ESG Charter.



Our ESG team

The implementation of ESG within Naxicap and our portfolio companies is supported by our ESG team, including a Board Member who has been highly involved in developing a different approach of investment management through ESG. The team is composed of four members with different backgrounds and expertise within the management company; one Board Member / Investment Officer, two members from the Investor Relations team and one member 100% dedicated to ESG, thus enabling a more diversified perspective on our ESG approach. Our team has conducted research on ESG in Private Equity, observed and worked with other advanced funds on the subject. After obtaining a holistic overview of how to integrate ESG in our activity, we started implementing our own ESG vision, coherent with our convictions and our values.



Angèle Faugier
Board Member
and Investment
Officer



Isabelle Guerin
Investor Relations
Officer



Elodie Pavot
Investor Relations
Officer



Johan Kyrre Knudsen
ESG Officer

NAXICAP'S ESG APPROACH

Signatory of the PRI – Principles for Responsible Investment

The PRI is the world's leading proponent of responsible investment.

It works to understand the implications of environmental, social and governance (ESG) factors on investment performances. It supports its investor signatories in integrating these factors into their investment and ownership decisions.

The PRI aims at making the global financial system more transparent and sustainable. It acts in the long-term interests of its signatories, of the financial markets and economies in which they operate and ultimately of the environment and society as a whole.

The PRI is independent. It encourages investors to use responsible investment to enhance returns and better manage risks, but does not operate for its own profit; it engages with global policy makers, but is not associated with any government; it is supported by, but not part of, the United Nations.

As a signatory of the PRI, Naxicap Partners undertakes to respect the six PRI principles.

Signatory of:



PRINCIPLE 1

We will incorporate ESG issues into investment analysis and decision-making processes.

PRINCIPLE 2

We will be active owners and incorporate ESG issues into our ownership policies and practices.

PRINCIPLE 3

We will seek appropriate disclosure on ESG issues by the entities in which we invest.

PRINCIPLE 4

We will promote acceptance and implementation of the principles within the investment industry.

PRINCIPLE 5

We will work together to enhance our effectiveness in implementing the principles.

PRINCIPLE 6

We will report on our activities and progress towards implementing the principles.

NAXICAP'S ESG APPROACH

Integration of ESG criteria in the investment process

Naxicap Partners has a long term perspective when integrating environmental, social and governance criteria in the investment process. Supported and encouraged by our ESG team, each investment officer is involved in the implementation of ESG criteria, and the follow-up of the advancement of our portfolio companies.

PRE-INVESTMENT

All investment memos include a pre-investment ESG analysis

The pre-analysis highlights the main ESG risks, opportunities and recommendations and is considered when making an investment decision.

ESG audits

The audits, carried out by external specialists, deliver a more thorough understanding of the ESG challenges and give a roadmap for the coming years. The ESG audits are mandatory and controlled by our middle office.

An ESG clause is included in the Shareholders agreement

When signing the Shareholders agreement, companies commit to report on ESG data annually and to regularly inform Naxicap on their actions.

POST-INVESTMENT

Annual ESG questionnaire

An annual ESG questionnaire is sent to companies in order to report and track the progress of our portfolio.

Follow-up

We monitor the ESG actions of our portfolio companies annually and work with the managers to implement their ESG roadmap.

ESG roadmap

We monitor the ESG action plan of our companies, at least once a year, during a Supervisory Board. The companies have to show us their progress and their updated roadmap.



12 ESG audits

in 2015, out of 16 new investments
or reinvestments (core business)

Reporting tool – ESG questionnaires and in-house scoring



ESG questionnaires sent to
78 companies
of our portfolio

To provide continuous information throughout the investment life to our investors and to monitor the evolution and the progress of our portfolio companies, we started collecting ESG data.

We selected a set of c. 100 questions we believe relevant in terms of ESG. The questionnaire is sent annually to companies where invested amount exceeds €5 million. In 2015, these companies represented 51% of our portfolio.

We have developed our own detailed scoring based on the answers to the questionnaire. We determined key indicators for each sector and activity. The scoring allows us to have a synthesis, by theme, sector and/or activity and provides an interesting benchmark.

For the first year of implementation, we got a satisfactory return from the companies: 60 companies (77 %) replied to our questionnaire. We observed that a large number of our portfolio companies are sensitive to the ESG themes and demonstrate overall good ESG practices.

For the second year, we aim to obtain a 100% answer ratio from our portfolio companies.

The ESG analysis allows us to answer our LPs questionnaires related to our responsible investment policy and to provide them with detailed ESG reports by fund.

NAXICAP'S ESG APPROACH

ESG within Naxicap

Besides our commitment to be responsible and transparent in our investment process, we also undertake to act as a responsible management company internally.



Operational excellence & Risk reduction

We focus on having an efficient internal control, a strong compliance and a good risk management department. Our officer works at strengthening our internal procedures in order to:

- be in line with Natixis' requirements and internal regulations in terms of data security,
- limit the risks of conflicts of interests, legal litigation,

- be compliant with the financial authorities,
- combat money laundering and the financing of terrorism, by having a deep knowledge of our clients and the origin of their funds,
- manage financial and operational risks. A watch list committee has been created in order to examine complex situations in portfolio companies and take the necessary measures at the right moment.



Environmental footprint

The management company undertakes to adopt more environment-friendly actions such as organizing meetings by video conference, limiting paper consumption with electronic financial reports,

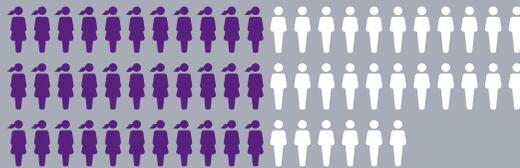
controlled access to the printer and implementing waste recycling in each office. Our next step is to carry out an assessment of our environmental footprint.



Human Resources

We believe that investing in our employees is essential. Providing them with the best working conditions and a positive and dynamic working environment is one of our key priorities.

61
employees



EQUALITY

54 % 
are women

 
At equivalent position, men and women
are equally paid.

43 % 
of our executive functions
are held by women

CAREER MANAGEMENT

Our career management program includes training of employees, follow-up of competences and tutoring by senior managers.

TRAINING

90 % 
attended a training program in 2015

Data as of 31 December 2015







NAXICAP'S **ESG CHARTER**

3

NAXICAP'S ESG CHARTER



Naxicap Partners believes responsible investment is a positive value driver in the long-term. Together with our associates, our investors and our portfolio companies, we implement a committed approach helping to sustain and enhance responsible initiatives. We aim at improving internal processes in order to reduce operational risks and to support business initiatives and efforts made for a balanced governance, while as contributing to a reduced environmental impact and fair social conditions.

Our commitments for a more responsible investment are presented in our ESG Charter.

Signatory of:





1. We undertake to make investments compliant with our values

As our contribution to a more responsible investment industry, our first commitment is to invest in activities in line with our values and to encourage, beyond the regulatory framework, ethical behavior.

We do not invest in:

- illegal economic activity: any production, trade or other activity not permitted by law or regulations,
- production of or trade in tobacco,
- manufacture of or trade in weapons and ammunition of any kind,
- pornographic activity and prostitution,
- casinos, betting enterprises and equivalent.

Our most recent funds include these criteria in their By-Laws.

For all new investments, we aim to know the companies' suppliers and to be sure they act responsibly (no child labor or undeclared work, in France or abroad).



2. We undertake to examine ESG criteria before investing in a company

We undertake to make extra-financial analysis a core part of our investment strategy and to examine ESG factors for every investment decision.

Our teams highlight the main ESG risks and opportunities of every company. We try to identify the industry best practices and to deliver first recommendations, discussing these with the management team of the company. This pre-analysis is included in our investment memorandums.

In the more advanced stages of the investment process, we aim at a deeper awareness of the company's practices. ESG audits are then carried out by external auditors, delivering a more detailed analysis of the ESG criteria and providing a roadmap for the coming years.

An ESG clause is included in every Shareholders agreement; companies undertake to report ESG data annually and to inform us regularly on their actions.



3. We undertake to support and monitor our portfolio's ESG initiatives from investment to exit

Based on the customized ESG roadmap built with the management team, we maintain a continuous dialogue with our portfolio companies on their ESG initiatives, year after year, and support their efforts. The main objectives are assessed periodically at the Supervisory Board allowing us to validate their satisfactory improvement. We particularly aim at seeing regular progress on:

- reducing their environmental footprint,
- development of a relevant and well-functioning Human Resources Management System,
- implementing well-balanced governance,
- controlling suppliers and subcontractors, monitoring client satisfaction.

The companies answer an annual questionnaire of c. 100 questions that allows us to monitor their progress and to compare them to other portfolio companies.

We undertake to actively fulfill our role as Supervisory Board member, and to support the ESG action plan with the management.

NAXICAP'S INVESTORS



4. We undertake to report our ESG actions transparently to our LPs

Our investors are concerned by the implementation of good ESG practices in the companies of the portfolio they invested in. Naxicap Partners undertakes to report transparently its actions and the companies' initiatives to its investors.

We collect ESG data annually through the questionnaires sent to companies and analyze the answers using our in-house methodology. We provide our LPs with dedicated reports by fund based on our own scoring methodology.

In turn, we reply to our LPs' questionnaires, detailing our ESG initiatives.

WITHIN NAXICAP



5. We undertake to offer our associates the best possible work environment

As a management company, our employees represent our most important asset. Providing our associates with a positive and dynamic working environment is one of our key priorities.

We undertake to offer equal working conditions to our employees, with no difference based on gender.

We undertake to train our employees every year and to support them in their career development. We conduct annual interviews with each staff member to review their objectives and to understand their expectations.

A tutoring program allows junior staff to spend time with more experienced staff in order to share their experience.



6. We undertake to be law compliant, internally well controlled and to limit our risks

Inherited from Natixis's culture, Naxicap Partners focuses on operational excellence. The Risk and Compliance and the Middle Office departments are added-value in-house expertise functions of Naxicap in which we have invested heavily.

Beyond complying with legal provisions and mitigating operational risks, our processes enable us to provide a safe and high level of service to our LPs for all of our transactions.



7. We undertake to promote responsible behaviour within our profession

We believe that investing more responsibly involves all the actors of the profession, from LPs, through management companies such as Naxicap, down to the companies we invest in and their employees.

We undertake to participate in workshops to increase public awareness, to communicate and demonstrate the benefits of good practices for companies and for the investment industry. In the long run, we believe that responsible practices will have a positive impact on profitability.

8. We undertake to support initiatives related to economic progress, our know-how or our values

We support “L’Hémicycle”, a private nonpolitical publication which accompanies parliamentary and political life. The journal gives information about work in progress to other chambers or elected officials and tries to foster a closer link between those who vote laws and those who are in charge of enforcing them.

We provide support to the “Collège des Bernardins” which maintains the historical “Université de Paris” legacy. In 2015-2017, its research department focuses on “The Human and Digital Challenge”, the purpose of which is to establish the cartography of anthropological mutation related to digital uses.



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GLOBAL PORTFOLIO **PERFORMANCE**

GLOBAL PORTFOLIO PERFORMANCE

The 60 companies of Naxicap Partners' portfolio analyzed in this report demonstrate overall good ESG practices.

Portfolio summary

The global ESG score of the portfolio shows that the portfolio companies execute good ESG practices of their business activities for both FY 2014 and FY 2015. The ESG scores in this report are based on data from 60 portfolio companies under Naxicap Partners management.

The ESG dimensions **'Environment'**, **'Social'** and **'Governance'** have all seen an increase in their

respective scores. However, the dimensions **'Environment'** and **'Governance'** are important areas of improvement for the portfolio.

The **'Social'** dimension has the highest score and has reinforced its performance in 2015 compared to 2014.

All figures in the following analysis are based on consolidated data coming from the questionnaires answered by our portfolio companies.



Chêne Vert (bathroom furnitures) is a designer and manufacturer of bathroom furnitures and consumables. Chêne Vert has obtained the highest ESG score of the portfolio in 2015 regardless of sector and activity.



Maïke Automotive (automobile) is a manufacturer of mechanical components for the automotive industry. Maïke Automotive has obtained the highest ESG score in the transportation industry.



Noalys (health care) has obtained the highest increase in ESG performance from 2014 to 2015 regardless of sector and activity. The company has for instance started to measure the carbon footprint of its health facilities.

Materiality

Importance of each criteria - Environment, Social and Governance - according to the sector and activity of a company.

ESG Dimension	Score 2014*	Score 2015*	Evolution	Materiality
ENVIRONMENT	2.6/10	3.0/10	↗	27%
SOCIAL	5.6/10	6.1/10	↗	51%
GOVERNANCE	2.6/10	2.9/10	↗	22%
Global Score ESG	4.1/10	4.6/10	↗	

0-4 Poor practices/not formalized

4-7 Good practices

7-10 Very good practices

* Based on all answers from our questionnaire (92 questions).
The consolidated ESG scores for 2014 and 2015 are weighted with the materiality of a company's sector and activity.

GLOBAL PORTFOLIO PERFORMANCE

In terms of sector, the non-renewable resources and the transportation industry are sectors with the highest ESG performance in 2015. These sectors are heavily regulated, thus poor ESG practices might have significantly impacts on business performance. Such regulations incentivizes companies in these sectors to operate according to current environmental, social, and governance standards.

The sector of resource transformation obtains the lowest score in the same year. The Technology & Communication sector is the one with the highest increase in performance, improving its score by 28% from 2014.

In terms of activity, manufacturing companies have the highest ESG score in 2015 and have also improved their performance from 2014.

Sector	ESG Score 2014*	ESG Score 2015*	Evolution
Non-renewable resources	5.0	5.3	↗
Transportation	5.2	5.2	→
Infrastructure	4.7	4.9	↗
Services	4.1	4.7	↗
Health care	4.0	4.7	↗
Technology & Communication	3.6	4.6	↗
Consumption	4.0	4.4	↗
Resource transformation**	4.2	4.3	↗

Activity	ESG Score 2014*	ESG Score 2015*	Evolution
Manufacturing	5.0	5.2	↗
Services	4.1	4.8	↗
Commercial	4.6	4.6	→
Manufacturing & Services	4.5	4.6	↗
Commercial & Services	3.0	4.2	↗
Manufacturing & Commercial	2.7	3.4	↗

0-4 Poor practices/not formalized

4-7 Good practices

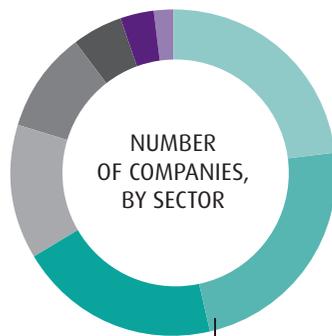
7-10 Very good practices

* Based on all answers from our questionnaire (92 questions).

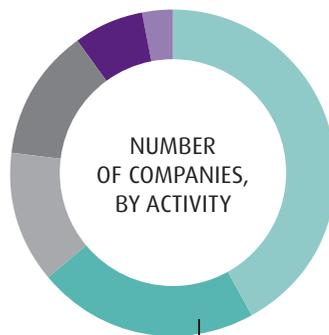
The consolidated ESG scores for 2014 and 2015 are weighted with the materiality of a company's sector and activity.

** Includes the sub sectors "Electrical/Electronic equipment" and "Industrial machinery & Goods."

**THE 60 PORTFOLIO COMPANIES
THAT RESPONDED TO OUR ESG QUESTIONNAIRE IN 2015
REPRESENT A WIDE RANGE OF SECTORS
AND ACTIVITIES**



Resource transformation*	23.3%	14 companies
Services	23.3%	14 companies
Consumption	20.0%	12 companies
Technology & Communication	13.3%	8 companies
Health care	10.0%	6 companies
Infrastructure	5.0%	3 companies
Transportation	3.4%	2 companies
Non-renewable resources	1.7%	1 company



Services	42.0%	25 companies
Manufacturing	22.0%	13 companies
Commercial	13.0%	8 companies
Manufacturing & Commercial	13.0%	8 companies
Commercial & Services	7.0%	4 companies
Manufacturing & Services	3.0%	2 companies

* Includes the sub sectors "Electrical/Electronic equipment" and "Industrial machinery & Goods."

GLOBAL PORTFOLIO PERFORMANCE

ESG PORTFOLIO PERFORMANCE SUMMARY



KPIs* for Naxicap Partners portfolio	2014	2015	Trend
1 - Environmental policy and Management system	4-7	4-7	→
2 - Certifications and Regulations	4-7	4-7	→
3 - Waste management	4-7	4-7	→



4 - HR strategy, policy and reporting	4-7	7-10	↗
5 - Health and Safety	7-10	7-10	→
6 - Training and Career Management	4-7	4-7	→
7 - Diversity and Equal opportunities	4-7	4-7	→
8 - Working environment	4-7	7-10	↗



9 - CSR** strategy and Risk management	0-4	4-7	↗
10 - Business ethics	0-4	4-7	↗
11 - Governance structure	4-7	4-7	→



12 - Responsible procurement	0-4	4-7	↗
13 - Product safety and Quality	4-7	4-7	→
14 - Community involvement	4-7	4-7	→

SCORING

0-4 Poor practices/not formalized

4-7 Good practices

7-10 Very good practices

* Key Performance Indicators.
Based on selected questions from our questionnaire (60 questions).
** Corporate Social Responsibility.







PORTFOLIO **REVIEW**

PORTFOLIO REVIEW

1. Environmental policy and Management system

Environmental policy

- 33% of the portfolio has formalized an environmental policy of its business operations.
- Even though the degree of environmental impact largely depends on the sector and activity of operations, a formalized environmental policy could contribute to a global focus and effort throughout the organization to reduce the environmental footprint of the company.
- A formalized environmental policy covers all areas of environmental impact, such as carbon emissions, electricity and water consumption, waste handling and alternative energy use.



Groupe Ober (manufacturer of laminated wood) has formalized an environmental policy including a reduction target of its environmental footprint. Thus, several measures have been implemented such as logistics optimization of transport, storage optimization of materials, insulation of industrial facilities, thermal facilities management and sorting and recovery of waste. According to management, this has resulted in lowering the energy consumption of the group.

Environmental impact reduction target

- The share of portfolio companies with an environmental impact reduction target included in their strategy has increased by 20% from 2014 to 2015.
- Implementing an environmental impact reduction target for a company's operations contains both strategic and financial opportunities. An environmental reduction target could prepare the business for regulatory changes such as implementation of a carbon tax or more stringent emissions standards. Moreover, such a target could also allow the company to lower its operating costs, reducing environmental footprint and preempting periods of resource shortages.

Nemo Invest (retail) is one of our portfolio companies which has implemented an environmental impact reduction target.



Noalys (health care provider) has established a Sustainable Development action plan in 2015 in order to reduce its environmental impact. This action plan is certified by an independent auditor. The company started to report on its carbon footprint in the same year.

20

portfolio companies
have formalized an
environmental
policy



compared to
16 in 2014

18

portfolio companies
have implemented an
environmental
impact reduction
target



compared to
15 in 2014

2. Certifications and Regulations

Major environmental litigations

- Major environmental litigations is an accurate indicator on assessing whether portfolio companies are subject to serious non-compliance with environmental regulations and certifications in their respective industry of operations.
- Compliance with relevant regulations and certifications impose large incentives for companies to avoid major fines and penalties and to mitigate reputational risks. In extreme cases, companies can have their license to operate revoked.
- None of the portfolio companies have been instructed by official agencies to rectify non-compliance with environmental laws and regulations.

abylsen

Abylsen (engineering and technology consulting) has in place a system to ensure compliance with environmental protection laws and regulations. The Health, Safety and Environment policy of the Group commits to compliance with current regulations and environmental laws in addition to demands and criteria from its clients.

Signatories of the UN Global Compact

- The UN Global Compact is a voluntary initiative aiming at supporting UN goals. Signatories of the UN Global Compact are committed to align their strategies and operations with fundamental principals on human rights, labor, environment and anti-corruption. Further, as a signatory of the Compact, the company is obliged to provide an annual Communication On Progress (COP) report.
- Hence, signatories of the UN Global Compact clearly demonstrate their commitments and motivation for integrating central ESG elements in their strategies and operations.

Chêne Vert, Consort, Newrest and Groupe Grimaud are all signatories of the UN Global Compact. Chêne Vert has been committed since 2009.

0
portfolio companies
have been subject to
**major environmental
litigations** during
the last 3 years



External certifications

- 50% of the portfolio companies in 2015 are externally certified.
- External certifications add credibility by demonstrating that products and services offered by the company meet the expectations of customers, regulators and stakeholders. For some industries, external certifications are legal or contractual requirements.
- Certifications required for a company largely depend on the industry it operates in. However, ISO-certified companies meet requirements of international standards regardless of industry on subjects such as quality (ISO 9001), environment (ISO 14001) and social responsibility (ISO 26000).



Desk and **Newrest** (IT distribution and catering) are both certified ISO 14001. The certification ISO 14001 is a certification that relates to environmental standards. It is based on the principle of continuous improvement of environmental performance by controlling impacts related to the company's business. Newrest has launched major ISO 14001 certification campaign of its units in 2015. In the certification framework of Newrest, 6 countries are currently certified according to ISO 14001: Austria, Bolivia, Greece, Portugal, Switzerland, Cyprus.

30

portfolio companies
are externally certified
on environmental
practices



compared to
28 in 2014

3. Waste management

Waste management policy

- 60% of the portfolio companies have implemented a waste management policy.
- Manufacturers are highly incentivized by effective waste handling as their activity is characterized by a low ratio of finished product to raw material, thus resulting in a significant amount of waste.
- Cost savings may be generated by careful waste handling, storage and disposal of waste, including investigating additional processing or re-use of waste as raw material in other industries.



Eudonet (software and IT services) has established a selective waste sorting system for its computer hardware.



Bernard Controls (manufacturer of electrical actuators) has in place a waste handling system for electronics, batteries and scrap metals on their factories.

36

portfolio companies have formalized a waste management policy



compared to **32** in 2014



4. HR strategy, policy and reporting

Headcount evolution and net job creation

- The total headcount of full time equivalents (FTE) of the portfolio has increased by 4.0% from 2014 to 2015. This increase does also take into account external growth, such as mergers & acquisitions executed by the portfolio companies (based on 54 companies).
- The portfolio demonstrated a positive net job creation of 443 full time equivalents in 2015. The net job creation in 2015 represents an internal growth of 4.3 %, compared to 2.9 % in 2014 (based on 36 companies, constant scope).



Software Medical (software & IT services for hospitals) created 30 new jobs (net) in 2015, e.g. 11% of their total FTE.



Accent (HR outsourcing services) created 73 new jobs (net) in 2015, e.g. 15% of their total FTE.

HR reporting and Strategy

- A formalized HR reporting and monitoring system is important for companies in order to track important social indicators such as turnover rate and absenteeism ratio.
- It allows the company to develop a well defined HR strategy aligned with its business strategy.



UniWare (IT consulting) has defined a clear strategy and priorities of its Human Resources Management. The company reports frequently on key HR issues, such as evolution in headcount, types of contracts, recruitments and departures, remuneration, training, etc.

Naxicap was responsible for
FTE 19,740
(including external
growth) in
2015*



compared to
FTE 18,975 in **2014***

* Based on 54 portfolio companies

443 jobs
Internal growth
(net) created in
2015**



compared to
283 in **2014****

** Based on 36 companies, constant scope (like for like)

5. Health and Safety

Working accidents

- An appropriate health and safety management system may reduce costs related to working accidents in addition to training and recruitment costs.



Focal (manufacturer of high-end audio equipment) is among many portfolio companies that report on zero working accidents for both 2014 and 2015. Focal had a headcount of 195.5 full time equivalents in 2015.



CIPM SAS (health care - private clinics) has hired a psychologist available for all employees in order to avoid and reduce the risk of stress and potential burn-outs. Moreover, frequent lectures are held on dealing with stress and other similar risks related to the health and safety of the employees.

Fatal accidents

- Portfolio companies relying heavily on contractors in operation and maintenance activities can implement measures to ensure contractors work in accordance with applicable regulations and Health & Safety standards.
- Fatal accidents hurt the reputation of the business, and may have a negative effect on the workforce morale and turnover rates.



Abylsen (engineering and technology consulting) has identified its main Health and Safety risks and a dedicated policy is in place since 2013 covering road accidents, psychosocial risks or occupational stress, working injuries and fire hazards.



Slota (rental of taxi licenses and maintenance or sales of cars) has implemented several measures to mitigate the risks of fatal accidents. For instance, Slota executes maintenance monitoring of its cabs and organizes seminars regarding the safety of the drivers on the road.

1.55%
working accident rate*
(calculated as a percentage of FTE)



compared to
1.37% in 2014

* Based on 54 portfolio companies

0
fatal accidents



compared to
1 in 2014

6. Training and Career management

Training policy

- 58% of the portfolio companies in 2015 have in place a formal training policy with defined career paths. This is an increase of 9.4% compared to 2014.
- A formalized training policy concerning all employees of the company helps develop the skill sets of the workforce. This enables them to do a better job and directly benefits the company.
- Companies with a formalized training policy can stimulate positive working morale and company culture.



I@D (online real estate services) has formalized a training policy with defined career paths for its employees. Several measures are already implemented such as mandatory courses before being promoted or change of job position.

Career management

- The average ratio of employees among the portfolio companies who have followed a training program in 2015 reached a level of 41%. Increasing the ratio of employees following a training course can help develop the skill sets of the employees and help them on their career path in the company. Hence, organizing training programs may result in a lower turnover rate.
- Training programs can be an important measure towards retaining talents in the company. This concerns in particular companies having few employees with seniority in the company in combination with a high turnover rate.
- The portfolio companies in the services industry have the highest number of training hours in the portfolio, followed by consumption and transportation.



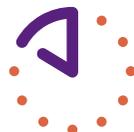
UJA (fashion retailer) has created an internal training academy in 2015 available to all employees: 3,437 hours were dedicated to training programs during the year, an increase of almost 97% compared to 2014.

35
portfolio companies
have formalized
a training policy



compared to
32 in 2014

309,000
hours of
training



compared to
245,000
in 2014

* Based on 40 portfolio companies

7. Diversity and Equal opportunities

Gender equality

- The proportion of women among the headcount (FTE) of the portfolio has increased from 36% in 2014 to 38% in 2015 (based on data from 49 portfolio companies).
- The diversity of gender in a company traditionally depends on the sector of the company. Typically, construction companies and manufacturers represent a larger ratio of men, while companies in the health care or clothing sectors traditionally employ a larger proportion of women.
- For instance, the ratio of women at **BIA**, a manufacturer of automobile parts, is only 12%, while **Noalys** (health care) employs 91% women.



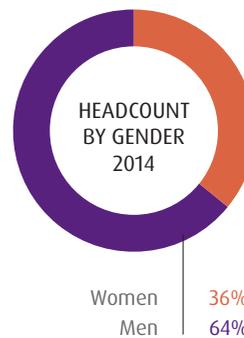
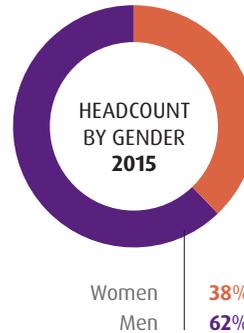
SPL (housing promotion) employs 53% women in 2015, and thus has a well-balanced workforce based on gender.

Inclusion of disabled workers

- According to French law, companies are required to employ at least 6% disabled workers, or pay extra social charges.
- The portfolio companies in the resource transformation sector employ the highest number of disabled workers in 2015, 33% of the total.
- Naxicap will pay special attention during Supervisory Boards to the employment of disabled persons in portfolio companies.



Focal (manufacturer of high-end audio equipment) employs 15 disabled workers in 2015. This corresponds to 8% of the Group's total workforce.



* Based on 49 portfolio companies

6%
legal minimum ratio
of disabled workers
in French
companies



These 4 companies
respect the legal quota.

8. Working environment

Social environment

- Social litigations can be used as an accurate indicator for assessing the working environment in a company.
- Several important factors and measures may contribute to a favorable and dynamic working environment, such as:
 - Compliance with fundamental human rights, especially in high-risk and non-cooperative countries.
 - Compliance with current work regulations
 - Safe working conditions
 - Implementation of relevant social dialogue mechanisms
 - Equal opportunities for each employee
 - Transparent remuneration system
 - Prohibition of child and forced labor in the whole supply chain.



Adcash (online advertising solutions) has obtained a social responsibility certificate in 2015 called the “Estonian Diversity Charter”. This makes Adcash committed to uphold the principles of diversity and equal treatment among employees, customers and cooperation partners.



Accent (HR outsourcing services) was awarded the “Greatest Place to Work” in Belgium in 2015 for the 13th consecutive year. The certification is based on two major criteria: an internal survey of employee satisfaction and an audit of the company culture.

28
portfolio companies
facing social
litigations



compared to
25 in 2014

of which

1
company facing
a major* litigation



compared to
0 in 2014

* Complaints for discrimination, industrial actions, etc.

Strikes

- The number of days lost due to strikes is an indicator measuring the relationship between workers and the management of the company.
- Social dialogue includes all types of negotiation or consultation between representatives of governments, employers and workers on matters of common interest relating to economic and social concerns. In order to improve the social dialogue within a company, the firm can for instance start initiating collective bargaining.
- Only one portfolio company faced strike during 2015 (one day lost due to strike).

Collective bargaining

- 53% of the portfolio companies have current collective labor agreements.
- A collective bargaining agreement is reached between an employer and labor unions to set specific rules related to working conditions.
- When initiating collective bargaining agreements, worker representatives should be freely elected and not be designated by the government or the employer.



Omia (surface treatment lines for the automotive and industrial sectors) has set up collective bargaining agreements as an important measure towards good relationships between workers and labor unions in order to avoid negative impacts on the company such as working days lost due to strikes.



32

portfolio companies
have implemented
collective labor
agreements



compared to
31 in 2014

Employee profit-sharing scheme

- In France, there are two sorts of profit-sharing agreements, statutory profit-sharing, mandatory in all companies with over 50 employees, and discretionary profit-sharing, which is optional.
- 65% of the portfolio companies have an employee profit-sharing scheme.



SPL (housing promotion) employs less than 50 persons and have implemented an employee profit-sharing scheme among its workforce. SPL is neither affected by major social litigations nor working days lost due to strikes.



Slota (rental of taxi licenses and maintenance or sales of cars) employing 32 FTE, have implemented an employee profit-sharing scheme and initiated collective bargaining in the organization.

3 portfolio companies with less than 50 employees (out of 9) have implemented an employee profit-sharing scheme*



compared to
3 (out of 8) in **2014**

* Optional scheme





9. CSR** strategy and Risk management

ESG policy

- 13% of the portfolio companies have implemented a formal ESG policy stating the company's long-term vision and mission for the ESG practices of its operations. 7% of the portfolio companies have publicly disclosed their ESG policy.
- 8% of the portfolio companies have produced an ESG report or a ESG charter.
- The consumption sector has the highest share of companies with a formal ESG policy in 2015.

newrest

Newrest (catering) is one of our portfolio companies that has publicly disclosed a CSR report in 2015. The Group has started to integrate ESG in its governance model and the initiative should help the Group towards improved ESG practices.

Other portfolio companies with a formalized ESG Policy in 2015:



Risk & Crisis management policy

- A Risk & Crisis management policy has the intention of identifying and analyzing the impacts of the main risks linked to the company's business activity and how to react in crisis situations.
- 35% of the portfolio companies have implemented such a policy in 2015 compared to 33% in 2014.



Châteauform (conference venues for business seminars) manages and monitors their information system of their business activities.



Sushi Shop (restaurants and delivery) has established a policy defining the organization and its responsibilities in a crisis.



Trustteam (software & IT services) has formalized internal procedures concerning management of risks in all departments of the company.

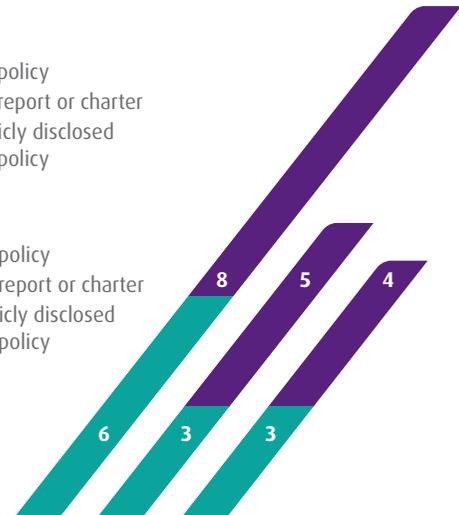
* Corporate Social Responsibility

2015

- 8 | ESG policy
- 5 | ESG report or charter
- 4 | Publicly disclosed ESG policy

2014

- 6 | ESG policy
- 3 | ESG report or charter
- 3 | Publicly disclosed ESG policy



21

portfolio companies
have in place a risk
management policy



compared to
20 in 2014

10. Business ethics

Ethical business practices

- Conducting business in a non-ethical manner may imply both financial and reputational risks for the company. Corruption risks are higher in some sectors and countries than others.
- 8 portfolio companies (13% of our portfolio) operate in 'high-risk and non-cooperative' countries listed by the Financial Action Task Force (FATF). These countries constitute a wide array of political and social issues.
- Several measures can be implemented by the portfolio companies to improve practices, such as:
 - implementation of a Code of Ethics distributed to all employees throughout the organization,
 - providing business ethics training for employees likely to deal with ethical issues in their daily operations.
 - development of a Supplier Code of Ethics to mitigate corruption risks throughout the supply chain,
- 6 out of the 8 portfolio companies operating in high-risk countries have implemented policies regarding business ethics and corruption.



Adcash (online advertising solutions) has started to issue guidelines for good business practices in 2016. These guidelines aim to avoid large fines and reputational risks when doing business in high-risk countries.



Accent (HR outsourcing services) has formalized an action plan starting in 2016 that will address the formalization of an anti-corruption and anti-money laundering policy in addition to a communication plan of the above-mentioned policies across the Group.

Indicators	Companies in 2014	Companies in 2015	Evolution
Guidelines of Good business practices	12	17	↗
Anti-corruption policy	10	11	↗
Anti-money laundering policy	10	12	↗
Competitive practices policy	12	13	↗
Conflicts of interests policy	12	13	↗
Fraud policy	11	12	↗
Operating in high-risk countries	8	8	→

11. Governance structure

Dual board

- The ratio of portfolio companies with a dual board has increased by 7% compared to 2014, reaching a level of 77% in 2015.
- An appropriate governance structure and practices is key for any business to ensure long-term success for all the stakeholders and the company.
- A dual board consists of a Supervisory Board and an Executive Board. The Chairman and the CEO are two distinct persons. Under a typical dual structure, the Supervisory Board is responsible for the global strategy and supervision of the management, while the Executive Board is responsible for the daily business operations and management.



La Chaise Longue (retailer) is one of our portfolio companies which has a dual board system. A clear advantage with such a board system is better monitoring and transmission of power of the CEO.

Board equality

- 17% of the board members (both Supervisory and Executives Boards) in 2015 are women.



Charlott' (textile/clothing) has a share of 1/3 women in its dual board system.



Emerige (housing promotion and renovation) has a share of 1/3 women in its dual board system.



Kartesis (resource transformation, industrial products) has a share of 1/5 women in its executive board.

46

portfolio companies
have a **dual board**
system



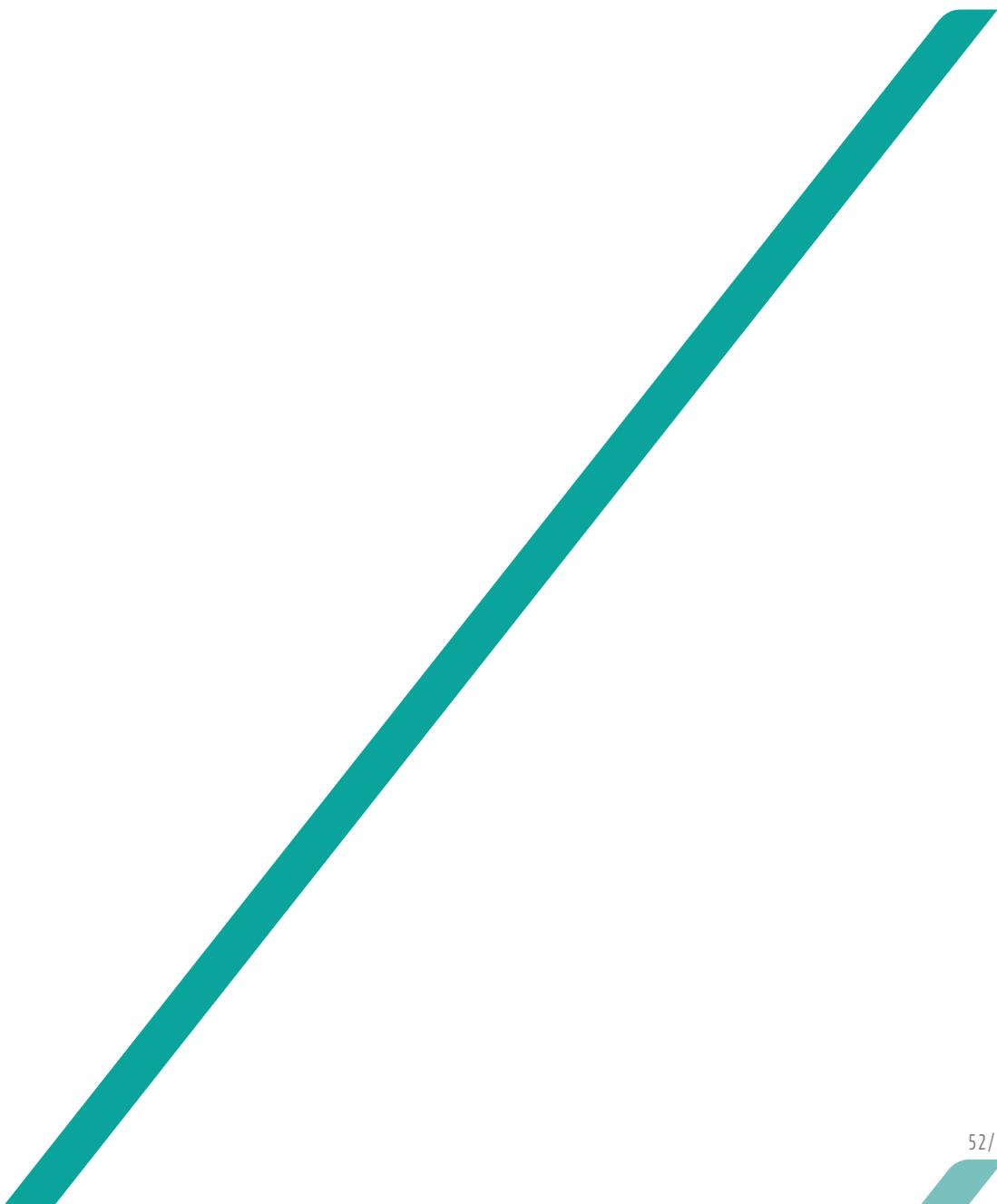
compared to
43 in 2014

17%

women*



* Based on 46 portfolio companies



12. Responsible procurement

Supplier assessments

- Some of the portfolio companies rely significantly on suppliers and/or sub-contractors to conduct their business. Assessing suppliers on their environmental and social practices is vital for mitigating financial, business and reputational risks.
- As a responsible management company, Naxicap is particularly concerned by issues such as use of child and forced labor, health and safety standards, quality control of products and environmental footprint. Corruption risks may also be avoided, especially if the geographical footprint of suppliers implies profound political and social issues.



UJA (fashion retailer) asks its suppliers for formal documentation regarding compliance with fundamental human rights and transparency. Further, UJA tests products, audits suppliers and implements certification requirements.

30

portfolio companies have assessed their suppliers of which

18

have integrated social criteria

12

have integrated environmental criteria

13. Product safety and Quality

Customer policy

- 40% of the portfolio companies have in place a health and safety policy aimed at protecting their customers.
- Ensuring the safety and quality of a company's products and services is important in order to avoid costly customer complaints, controversies and reduced revenues due to damaged reputation or brand value.



La Sommière (design and marketing of wine cellars) is one of our portfolio companies which has in place a health and safety policy for its customers.



Groupe Ober (manufacturer of laminated wood) verifies that its products meet the necessary requirements regarding quality, safety and environment in order to protect the health and safety of its customers. Hence, a policy regarding the safety of its customers has been implemented. Ober has also obtained the highest note by independent auditors for respecting regulations of the safety of its products.

24

portfolio companies have implemented a health and safety policy for their customers



compared to
23 in 2014

14. Community involvement

Engagement in local communities or global projects

- 32% of the portfolio companies participate in a social or charitable project in their local communities or internationally. This is an increase of 27% from 2014.
- In addition to contributing to charitable causes that matter to the company, participating in social projects can be rewarding for the company's employees and stakeholders and thus increase the intrinsic motivation of the employees. Charitable companies earn good reputation and might improve their image by publicly sharing their values and intentions.



Newrest (catering) participates in projects and social actions to which it is committed. In recent years, the Group has committed to the reduction of its budget for press ads and paid advertising, and to transfer these savings to social actions, in particular involving children. 4,789 individuals have benefited from Newrest's assistance through direct actions or donations.

19 portfolio companies participate in a social or charitable project



compared to **15** in 2014







6

APPENDICE:
**SCORING
METHODOLOGY**

APPENDICE: SCORING METHODOLOGY

The global ESG score of the portfolio and the ESG score of each portfolio company are based on an in-house methodology based on the answers of each company to our ESG questionnaire (92 questions). We awarded different weights to each question according to what we believe is material in the context of the Company. The questionnaire has been distributed to companies where Naxicap's funds investment exceed € 5 million.

Defining a scoring scale

- A scoring scale from '0 - 10' is defined on each question of our questionnaire in order to have a well-balanced system where annual improvements can easily be reflected on the scoring scale.
- Different intervals are created to categorize the scores. '0 - 4' is classified as '**Poor or not formalized ESG Practices**', '4 - 7' is classified as '**Good ESG Practices**' and the category '7 - 10' is classified as '**Very Good ESG Practices**'.

Developing the scoring system

- Each question in the questionnaire is scored. Some questions are scored in a binary system, e.g. a question is awarded a score of either '0' or '10', depending on the answer. This is especially the case for questions answered by 'Yes' or 'No' or/and questions where the company can report or disclose information.
- Other questions are scored based on a progressive or regressive model or a combination of both.

Elaborating coefficients to highlight particular important issues

- Coefficients are created for each question to give higher importance to the questions regarded as '**Key Performance Indicators**' (KPI).
- The KPI's selected are regarded as more material issues compared to questions not used as KPI's.
- A question selected as a KPI is given a coefficient equal to the value of '2', while other questions are given a coefficient equal to '1'.

Consolidating scores of each dimension of ESG for each company

- Each dimension of ESG ('**Environment**', '**Social**' and '**Governance**') consists of different subjects in the questionnaire. For instance, '**Environment**' consists of subjects such as 'Environmental policy', 'Energy consumption', etc. An average score is calculated for each subject and then forms a consolidated score for each dimension '**Environment**', '**Social**' and '**Governance**' and for each company.
- An ESG score for each company is derived by weighing the average score of '**Environment**', '**Social**' and '**Governance**' with the materiality of the company's sector and activity.

Calculating a global portfolio score of each subject and dimension

- These three different portfolio scores of **'Environment'**, **'Social'** and **'Governance'** are not weighted with the materiality of each sector and activity.

Deriving a global ESG score of the portfolio

- Finally, a global ESG score of the portfolio is derived by weighting the non-weighted average scores of **'Environment'**, **'Social'** and **'Governance'** of the portfolio with the materiality of the companies' sectors and activities.



APPENDICE: SCORING METHODOLOGY

Methodology tool

- The weights of the different sectors and types of activities are calculated based on our own interpretation of the publicly available materiality framework of the Sustainability Accounting Standards Board (SASB).
- SASB is a non-profit organization where standards are designed for the disclosure of material sustainability information in mandatory SEC filings, such as Form 10-K and 20-F.
- The SASB materiality framework is a quantitative model designed to prioritize the issues that are likely to have material impacts on companies within the sector. Further, a qualitative research process is done by the SASB's research team.
- The framework relies heavily on evidence of investor interest and evidence of financial impact, and it adjusts to changes in financial impacts and long-term sustainability principles.
- SASB is not responsible for any of the conclusions or assumptions made by **Naxicap Partners** related to the creation of the sector weights and the ESG scores that are provided in this report.



Materiality weights by sector and activity

Sector	Environment	Social	Governance
Consumption			
Agricultural products	0.40	0.40	0.20
Apparel, accessories & Footwear	0.25	0.25	0.50
Appliance manufacturing	0.10	0.80	0.10
Multiline and Specialty retailers & Distributors	0.125	0.70	0.125
Health care			
Biotechnology	0.25	0.60	0.15
Health care delivery	0.20	0.70	0.10
Health care distributions	0.20	0.60	0.20
Infrastructure			
Home builders	0.45	0.45	0.10
Real estate owners, Developers & Investment trusts	0.45	0.45	0.10
Real estate services	0.10	0.45	0.45
Non-renewable resources			
Oil & Gas-Services	0.375	0.25	0.375
Resource transformation			
Chemicals	0.50	0.30	0.20
Electrical/Electronic equipment	0.30	0.40	0.30
Industrial machinery & Goods	0.25	0.50	0.25
Technology & Communication			
Electronic manufacturing services & Original design manufacturing	0.30	0.60	0.10
Internet media & Services	0.30	0.50	0.20
Software & IT services	0.30	0.40	0.30
Transportation			
Auto parts	0.33	0.33	0.33
Services			
Asset management & Custody activities	0.04	0.64	0.32
Professional services	0.05	0.75	0.20
Restaurants	0.30	0.60	0.10

Activity	Environment	Social	Governance
Manufacturing	0.50	0.40	0.10
Commercial	0.33	0.33	0.33
Services	0.20	0.60	0.20
Manufacturing & Commercial	0.40	0.40	0.20
Manufacturing & Services	0.20	0.60	0.20
Commercial & Services	0.40	0.50	0.10





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